

Message Text

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61

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EXDIS

C O R R E C T E D C O P Y - P A R A T H R E E

FOR: AMBASSADOR HABIB EA/K FROM ADLER

E.O. 11652: N/A

TAGS: BPRO, EFIN, ENRG, BEXP, KS

SUBJ: EXIMBAK FINANCING FOR SECOND NUCLEAR PLANT

1. J.R. BURNS AND B.W. TURNER OF THE WESTINGHOUSE CORPORATION HAVE INFORMED US THAT WALTER SAUER ACTING CHAIRMAN OF THE EXIMBNAK APPEARED TO BE NEGATIVE WITH REGARD TO FINANCING THE SECOND NUCLEAR PLANT. SAUER IS REPORTED TO HAVE EXPRESSED PERSONAL CONCERN OVER POSSIBLE EXIM OVER-EXPOSURE IN KOREA.

2. YOU WILL RECALL THAT EXIM VICE PRESIDENT CLARK EXPRESSED NEED TO CONSIDER CAREFULLY FUTURE EXIM LENDING BECAUSE EXIM LOANS AND COMMITMENTS HAD REACHED THE \$700 MILLION LEVEL. THESE STATEMENTS ARE CONTRARY TO THE POLICY ASSURANCES FORMER CHAIRMAN KEARNS GAVE THE ROKG REGARDING EXIM INTEREST IN FINANCING VIABLE MAJOR PROSPECTS IN BOTH NUCLEAR AND THERMAL ELECTRIC POWER GENERATION, STEEL PLANT, SHIPYARDS, ETC.

3. WE DO NOT AGREE THAT THE EXIMBANK IS "OVER-EXPOSED" IN KOREA. THIS BURGEONING ECONOMY WILL CONTINUE TO PROVIDE INCREASING OPPORTUNITIES FOR THE SALE OF U.S. GOODS AND SERVICES TO ECONOMICALLY SOUND PROJECTS IN BOTH THE PRIVATE AND PUBLIC SECTORS. KOREA'S CREDIT WORTHINESS IS GOOD AND CONTINUING TO IMPROVE. THE
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DEBT SERVICE RATIO FOR THIS YEAR WILL FALL TO 14 PERCENT COMPARED TO 18 PERCENT LAST YEAR AND PEAK 21 PERCENT IN 1970. IMF CONTINUES TO MONITOR THE ROKG DEBT POLICIES AND WILL SET OVERALL LIMITS FOR 1974 AS PART OF NEXT STUDY MISSION AND STANDBY AGREEMENT

EARLY NEXT YEAR. PRIVATE U.S. BANKS CONTINUE TO SHOW STEADILY INCREASING INTEREST IN EXTENDING CREDIT TO KOREA. WE BELIEVE THAT THE STATEMENTS MADE BY CLARK AND MORE RECENTLY SAUER MAY REFLECT A HESITANCY ON THE PART OF THE EXIM STAFF TO COMMIT THE BANK TO MAJOR PROJECTS IN THE ABSENCE OF A REGULARLY APPOINTED CHAIRMAN RATHER THAN A CHANGE IN POLICY TOWARD KOREA, AND WE EXPECT THAT THE NEW BANK MANAGEMENT WILL CONTINUE TO WELCOME OPPORTUNITIES TO FINANCE SOUND MAJOR PROJECTS OF THE KIND WE HAVE BEEN SUPPORTING. HOWEVER, WE ARE CONCERNED THAT STATEMENTS MADE TO U.S. SUPPLIERS AND THROUGH THEM TO KOREANS INDICATING A LESS-ENING OF EXIM INTEREST IN KOREA BECAUSE OF POSSIBLE OVER-EXPOSURE MAY TIP THE SCALE IN FAVOR OF OUR COMPETITORS PARTICULARLY WITH REGARD TO THE NUCLEAR AND THERMAL GENERATING PROPOSALS NOW ACTIVELY BEING CONSIDERED BY THE ROKG. SUCH RUMORS ALSO WILL EFFECTIVELY SCOTCH OUR EFFORTS TO HELP U.S. SUPPLIERS WIN THE BATTLE FOR THE THIRD AND FOURTH NUCLEAR PLANTS. YOU MAY WISH TO REMIND SAUER THAT THE SECOND NUCLEAR PLANT INVOLVING APPROXIMATELY \$150 MILLION IN GOODS AND SERVICES, INCHON THREE INVOLVING \$50 MILLION REPRESENT MAJOR SALES WHICH U.S. SUPPLIERS WITH OUR SUPPORT HAVE CLINCHED IN THE FACE OF STRONG FOREIGN COMPETITION BUT WHICH STILL CAN BE LOST IF THE KOREANS GET THE IDEA THAT THE DEALS CANNOT BE CONCLUDED BECAUSE OF THE ABSENCE OF EXIM FINANCING. IF, AS WE SUSPECT, THE EXIM STAFF IS UNABLE TO ACT ON THE MAJOR PROJECTS UNTIL THE NEW CHAIRMAN TAKES OVER, WE SUGGEST THAT BANK PERSONNEL REFRAIN FROM MAKING STATEMENTS REGARDING THESE PROJECTS WHICH COULD BE INTERPRETED BY THE ROKG AS A DECISION NOT TO PROVIDE THE FINANCING IN QUESTION AND THUS PLACE THESE SALES IN JEOPARDY.

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